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PERFORMANCE MANAGEMENT AND RECOGNITION SYSTEM AMENDMENTS OF 1991

MARCH 14, 1991.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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Mr. CLAY, from the Committee on Post Office and Civil Service, submitted the following

REPORT

[To accompany H.R. 1316]

The Committee on Post Office and Civil Service, to whom was referred the bill (H.R. 1316) to amend chapter 54 of title 5, United States Code, to extend and improve the Performance Management and Recognition System, and for other purposes, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The purpose of this legislation is to extend and improve the Performance Management and Recognition System.

COMMITTEE ACTION

On March 7, 1991, Representative Ackerman introduced H.R. 1316, the "Performance Management and Recognition System Amendments of 1991."

On March 12, 1991, the Subcommittee on Compensation and Employee Benefits, by voice vote, approved H.R. 1316 for full Committee consideration. On March 13, 1991, the Committee on Post Office and Civil Service, by a voice vote, and with a quorum present, ordered H.R. 1316 favorably reported.

SUMMARY

H.R. 1316 extends the Performance Management and Recognition System (PMRS) until September 30, 1993. The bill allows Federal agencies to use "work objectives" in lieu of, or in addition to,

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critical elements and performance standards to establish performance requirements and evaluate employee performance.

The bill also removes the requirement in current law that employees who are rated two levels above fully successful receive a bonus of at least two percent.

Lastly, the bill establishes a PMRS Review Committee to review PMRS and advise the Office of Personnel Management (OPM) on any improvements needed in the program. The committee is required to report to the Director of OPM on November 5, 1991, or such other date as the Director may determine.

STATEMENT

The Performance Management and Recognition System (chapter 54 of title 5, United States Code) authorizes merit pay for Federal managers and supervisors in grades GS-13 through GS-15. Pay increases for employees covered by PMRS are linked to the employees' performance appraisals. Employees may receive one of five possible performance ratings: two levels above fully successful, one level above fully successful, fully successful, minimally successful, and unacceptable.

Employees rated at fully successful or above receive the full pay comparability adjustment given to General Schedule employees. Employees rated at minimally successful receive one-half of that increase, and those rated unacceptable do not receive any pay increase.

Employees rated at fully successful or above are also eligible for merit increases. A merit increase is equivalent to a within-grade increase under the General Schedule. An employee's rating and salary level determine whether the employee will receive a full merit increase, one-half, or one-third.

Employees rated two levels above fully successful must also receive a performance award of at least 2 percent of the employees' annual rate of basic pay. These awards may be as much as ten percent. Agencies may give awards of up to twenty percent for exceptional performance with approval of the agency head. An employee rated fully successful or one-level above fully successful also may receive a performance award of up to ten percent of the employee's annual rate of basic pay. The total amount of money available for performance awards in limited to 1.5 percent of an agency's PMRS payroll.

Employees may also receive cash awards for suggestions, inventions, superior accomplishments, or other similar efforts. Such an award may not exceed $25,000.

The Performance Management and Recognition System expires on March 31, 1991.

H.R. 1316, as reported by the Committee, extends PMRS until September 30, 1993, with two changes. The first change is to allow agencies to use "work objectives" in addition to, or in lieu of, performance standards and critical elements to establish performance requirements and evaluate employee performance. Work objectives provide more specificity and measurability by citing specific accomplishments and deadlines expected of the employee. Work objectives also relate more directly to the mission of the organization.

The second change removes the requirement in current law that an employee who receives a rating of two levels above fully successful must receive a bonus of at least 2 percent. H.R. 1316 allows agencies to give performance awards to any employee who is rated fully successful or higher but does not specify a minimum amount.

In its May 1989 report, Pay for Performance, Interim Report on the Performance Management and Recognition System (GAO/GGD-89-69BR), the General Accounting Office highlighted a problem with the mandatory bonus requirement:

> PMRS legislation requires each employee with a summary rating level two levels above fully successful to be paid a performance award of at least 2 percent of the employee's base salary. The law also requires that an agency's total payout for performance awards not exceed a maximum of 1.5 percent of its aggregate PMRS salaries. Under this system, an agency that gives a very large percentage of its staff summary ratings that are two levels above fully successful could be forced to either (1) make total payouts greater than the 1.5 percent that is legally authorized, or (2) pay less than the 2 percent performance award that is statutorily required. To avoid these situations, an agency needs to ensure that its ratings process does not yield too many high ratings, which, in turn, could result in violation of the statutory prohibition against prescribing ratings distributions. (GAO/GGD-89-69BR, p. 8)

The Committee believes that removing the requirement that employees rated two levels above fully successful receive a minimum 2 percent performance award will reduce pressure to prescribe ratings distributions.

H.R. 1316 requires the Office of Personnel Management to establish a Performance Management and Recognition System Review Committee to review PMRS and advise OPM on any improvements needed in that system.

Members of the PMRS Review Committee will be appointed by OPM and will include representatives of organizations that include among their members employees who are covered by PMRS, as well as representatives of agencies employing such employees. The Chairman of the PMRS Review Committee will be appointed by the Director of OPM.

The PMRS Review Committee is required to coordinate its efforts with those of the Pay-for-Performance Labor-Management Committee, established under section 111 of the Federal Employees Pay Comparability Act of 1990 (Public Law 101-509), to the extent both committees consider appropriate. The PMRS Review Committee is required to report to the Director on November 5, 1991, or on such other date as the Director may determine.

Section Analysis

SECTION 1. SHORT TITLE

Section 1 provides that this Act may be cited as the "Performance Management and Recognition System Amendments of 1991."

SECTION 2. AMENDMENTS

Section 2(a) of the bill amends section 4302a of title 5, United States Code, by addding a new subsection (h).

Section 4302a(h) allows Federal agencies, notwithstanding sections 4302a(a)(2) and 4302a(b)(2)–(4), to establish performance appraisal systems that utilize a written statement of the work objectives of the employee's position to establish performance requirements related to the position and to evaluate job performance against such requirements; requires that a statement of work objectives shall be jointly developed by the supervising official and the employee; and provides that a statement of work objectives may be used in lieu of, or in addition to, critical elements and performance standards.

Section 2(b)(1) of the bill amends title 5, United States Code, by striking the existing subsections (a) and (b) of section 5406 and inserting the following new subsections:

The new subsection (a) authorizes Federal agencies to pay performance awards to employees who are covered by chapter 54 of title 5, United States Code, (the Performance Mangement and Recognition System) and whose performance for an appraisal period is rated under section 4302a of title 5, United States Code, (or an equivalent rating system) at the fully successful level or higher.

The new subsection (b) specifies that the amount of a performance award paid section 5406 of title 5, United States Code, shall be determined by the appropriate agency head and shall not be more than 10 percent of the employee's annual rate of basic pay, unless that agency head determines that a higher amount is warranted by unusually outstanding performance, in which case a performance award of not to exceed 20 percent of the employees annual rate of basic may be paid.

Section 2(b)(2) of the bill amends section 5406(c)(1) of title 5, United States Code, by striking references to sections 5406(a)(2) and 5406(b)(2) which have been deleted.

Section 2(b)(3) amends section 5406(c)(2)(A)(i) of title 5, United States Code, to require that the minimum aggregate percentage of performance awards paid by an agency during any fiscal year under section 5406 of title 5, United States Code, shall be 1.15 percent of an agency's PMRS payroll during such fiscal year.

Section 2(b)(4) strikes section 5406(c)(3) of title 5, United States Code.

Section 2(c) amends section 5410 of title 5, United States Code, to extend the Performance Management and Recognition System through September 30, 1993.

Section 2(d) provides that the amendments made by section 2 shall be effective as of April 1, 1991.

SECTION 3. STUDY AND REPORT

Section 3(a) requires the Office of Personnel Management to establish a Performance Management and Recognition System Review Committee to review the Performance Management and Recognition System (established under chapter 54 of title 5, United States Code) and advise the Office on any improvements needed in that system.

Section 3(b)(1) authorizes the Office of Personnel Management to appoint members of the committee and requires that representatives of organizations that include among their members employees who are covered by the Performance Management and Recognition System, and representatives of agencies employing such employees, be appointed to the committee.

Section 3(b)(2) authorizes the Director of the Office of Personnel Management to appoint a Chairman of the Committee and to fix the rate of pay of the Chairman, subject to section 3(b)(3), at a rate not to exceed the maximum rate of basic pay for the Senior Executive Service.

Section 3(b)(3) states that members of the Committee who are otherwise employees of the Federal Government (including the Chairman, if applicable) shall not receive any additional pay for their service on the Committee. Members of the Committee who are not otherwise employees of the Federal Government (other than the Chairman, if applicable) shall not be considered employees of the Federal Government for any purpose by reason of their service on the Committee.

Section 3(c) authorizes the Office of Personnel Management to provide staff and administrative support for the Committee.

Section 3(d) requires the Committee, in carrying out its responsibilities under this section, to coordinate its efforts with those of the Pay-for-Performance Labor-Management Committee, established under section 111 of the Federal Employees Pay Comparability Act of 1990 (Public Law 101–509), to the extent both committees consider appropriate.

Section 3(e) requires the Committee to submit a report with recommendations to the Director of the Office of Personnel Management on Novemnber 5, 1991, or such other date as the Director may determine.

Cost

A Congressional Budget Office cost estimate has been requested by the Committee but was not received in time for inclusion in this report.

The Committee believes that the enactment of this legislation will not result in any significant additional cost to the Government.

Oversight

Under the rules of the Committee on Post Office and Civil Service, the Subcommittee on Compensation and Employee Benefits is vested with legislative and oversight jurisdiction over the subject matter of this legislation. As a result of its deliberations, the subcommittee has concluded that there is ample need and justification for enacting this legislation.

The subcommittee received no report of oversight findings or recommendations from the Committee on Government Operations pursuant to clause 4(c)(2) of House Rule X.

Inflationary Impact Statement

Pursuant to clause 2(l)(4) of House Rule XI, the Committee has concluded that the enactment of H.R. 1316 will have no inflationary impact on the national economy.

Changes in Existing Law Made by the Bill, As Reported

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 5, UNITED STATES CODE

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CHAPTER 43—PERFORMANCE APPRAISAL

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§ 4302a. Establishment of performance appraisal systems for performance management and recognition system employees

(a) * * *

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(h) Notwithstanding subsections (a)(2) and (b)(2)–(4), an agency performance appraisal system may utilize a written statement of the work objectives of the employee's position to establish performance requirements related to the position and to evaluate job performance against such requirements. Such statement of work objectives shall be jointly developed by the supervising official and the employee, and may be used in lieu of, or in addition to, critical elements and performance standards.

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CHAPTER 54—PERFORMANCE MANAGEMENT AND RECOGNITION SYSTEM

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§ 5406. Performance awards

[(a)(1) Any employee who is covered by this chapter, and whose performance for an appraisal period is rated under section 4302a of this title (or an equivalent rating system) at the level 2 levels above the fully successful level, shall be paid a performance award under this section for such period.

[(2)(A) The amount of a performance award referred to in paragraph (1) of this subsection shall be determined by the appropriate agency head, except that any such award shall be not more than 10 percent of the employee's annual rate of basic pay and, effective

after fiscal year 1985, shall be not less than 2 percent of such annual rate.

[(B) Notwithstanding subparagraph (A) of this paragraph, a performance award exceeding 10 percent but not exceeding 20 percent of the employee's annual rate of basic pay may be paid if the agency head determines that such award is warranted by unusually outstanding performance.

[(b)(1) Any employee who is covered by this chapter, and whose performance for an appraisal period is rated under section 4302a of this title (or an equivalent rating system) at the level 1 level above the fully successful level or at the fully successful level, may be paid a performance award under this section for such period.

[(2) The amount of a performance award referred to in paragraph (1) of this subsection shall be determined by the appropriate agency head, except that any such award shall be not more than 10 percent of the employee's annual rate of basic pay.]

(a) Any employee who is covered by this chapter, and whose performance for an appraisal period is rated under section 4302a (or an equivalent rating system) at the fully successful level or higher may be paid a performance award for such period.

(b) The amount of a performance award under this section shall be determined by the appropriate agency head, except that any such award shall not be more than 10 percent of the employee's annual rate of basic pay, unless the agency head determines that a higher amount is warranted by unusually outstanding performance, in which case an award of not to exceed 20 percent of the employee's annual rate of basic pay may be paid.

(c)(1) [Subject to subsections (a)(2) and (b)(2) of this section, the] *The* aggregate amount of performance awards paid under this section by an agency during any fiscal year shall be—

(A) * * *

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[(2)(A)(i) The applicable minimum percentage—

[(I) shall be 0.75 percent for fiscal year 1985;

[(II) shall, for each of the 4 fiscal years thereafter, be adjusted incrementally (by equal increments or otherwise) over the percentage for the preceding fiscal year by the appropriate agency head in accordance with regulations which the Office of Personnel Management shall prescribe; and

[(III) shall be 1.15 percent for each of fiscal years 1989, 1990, and 1991.]

(2)(A)(i) The applicable minimum percentage for each fiscal year during which this chapter is in effect shall be 1.15 percent.

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[(3) The estimate under paragraph (1)(A)(ii) for fiscal year 1991 shall not take into account any period following March 31 of that year.]

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§ 5410. Termination

This chapter and any regulations prescribed under this chapter shall cease to be effective after [March 1, 1991.] *September 30, 1993.*

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